

State Grant and Loan Program Review

NOVEMBER 1, 2009 | DRAFT REPORT

The Partnership would like to acknowledge the support and participation of the Department of Ecology, the Department of Health, the Department of Commerce, the Conservation Commission and the Recreation and Conservation Office in the preparation of this report.

Background

The Puget Sound Partnership began its mission July 1, 2007 to recover Puget Sound by 2020 through enactment of ESSB 5372 by the state legislature. The governing bodies of the Partnership that oversee and guide this effort consist of a seven member Leadership Council of experienced leaders appointed by the Governor; a 23 member Ecosystem Coordination Board that advises the Leadership Council comprised of local and state elected officials, tribal leaders, and environmental, academic, and state and federal agency representatives; and a nine member science panel that advises the Partnership. The programmatic efforts and governing bodies are supported by an Executive Director and thirty-eight staff.

The first charge given the Partnership was to develop the Puget Sound Action Agenda to restore and protect Puget Sound by catalyzing and coordinating state and local community efforts of citizens, governments, tribes, scientists and businesses. The Action Agenda was developed through a year long regional process and approved by the Leadership Council on December 1, 2008. The Action Agenda's priorities are to protect and restore ecosystem processes, structure, and functions that sustain Puget Sound; prevent water pollution at its source; work together as a coordinated system; and build an implementation, monitoring, and accountability management system.

Within the legislative requirements of the Partnership's enabling statute, RCW 90.71, one of the primary tasks is to complete a review of state grant and loan funds that contribute to Action Agenda implementation, to ensure their consistency with the Action Agenda. Initial recommendations are due to the Governor and legislature by November 1, 2009, and final recommendations are due November 1, 2010. This report addresses these requirements.

Legislative Requirements

RCW 90.71.370 (4) states that the Partnership's Leadership Council is to review state programs that fund facilities and activities that may contribute to Action Agenda implementation.

"The council's review shall include but not be limited to:

- Determining the level of funding and types of projects and activities funded through the programs that contribute to implementation of the Action Agenda.
- Evaluating the procedures and criteria in each program for determining which projects and activities to fund, and their relationship to the goals and priorities of the Action Agenda.
- Assessing methods for ensuring that the goals and priorities of the Action Agenda are given priority when program funding decisions are made regarding water quality-related projects and activities in the Puget Sound basin and habitat-related projects and activities in the Puget Sound basin.
- Modifying funding criteria so that projects, programs, and activities that are inconsistent with the Action Agenda are ineligible for funding.
- Assessing ways to incorporate a strategic funding approach for the Action Agenda within the outcome-focused performance measures required by RCW 43.41.270 in administering natural resource-related and environmentally based grant and loan programs."

This review is required to be conducted with the active assistance and collaboration of the agencies administering these programs, and in consultation with local governments and other entities receiving funding from these programs.

Specific programs to be reviewed were specified in statute, as well as unspecified state financial assistance programs for water quality related projects. Programs to be reviewed as specified by statute and determined by the Partnership were located in five different state agencies and involved nine different grant and loan programs.

Specific agencies and programs include:

The Department of Ecology

- Water Pollution Control Programs – RCW 70.146.070, and 90.50A.040
- Toxics Clean-up Grants – RCW 70.105D.070

The Recreation and Conservation Office

- Washington Wildlife and Recreation Program – RCW 79A.15.040
- Salmon Recovery Funding Board – RCW 77.85
- Aquatic Lands Enhancement Account RCW 79.105.150

Department of Commerce

- Public Works Board – RCW 43.155
- Community Economic Revitalization Board – RCW 43.160

Conservation Commission – RCW 89.08.520

- Conservation District Dispositions

Department of Health

- Aquatic Lands Enhancement Account RCW 79.105.150

Other State Agency Legislation Relating to this Review

In addition to the above requirements, all funding programs identified in RCW 90.71.340 have consistent corresponding legislation that requires the appropriate agency to modify its grant and loan programs to ensure that funding is not provided after January 1, 2010 to any programs or projects that are in conflict with the Action Agenda. In addition, most funding programs identified have consistent corresponding legislation that requires the appropriate agency to ensure that all projects are consistent with the Action Agenda and for some programs to provide preference to projects identified in the Action Agenda.

Some apparent inconsistencies to the legislation were identified during this process. RCOs legislation for all of their programs does not stipulate that they need to ensure consistency with the Action Agenda, while the Partnership's legislation clearly makes this stipulation.

Legislative Requirements to be Addressed in 2009 Report

In this report the Partnership focused upon answering three primary questions required by statute related to state grant and loan programs:

1. Have funding criteria been modified so that projects, programs, and activities that are inconsistent with the Action Agenda are ineligible for funding.
2. How do the procedures and criteria used to select projects in each program relate to the goals and priorities of the Action Agenda?
3. Have the programs taken steps for ensuring that the goals and priorities of the Action Agenda are given priority when program funding decisions are made regarding water quality-related and habitat-related projects in the Puget Sound basin.

In its 2010, report the Partnership will provide a final evaluation of the questions discussed in this report as well as an assessment of ways to incorporate a strategic funding approach for the Action Agenda within the outcome-focused performance measures required by RCW 43.41.270 in administering natural resource-related and environmentally based grant and loan programs.

Methodology

Puget Sound Partnership staff began the process to address these legislative mandates and held three joint meetings that included key staff from the agencies administering the programs under review. These meetings were held on May 13, 2009, June 1, 2009, and June 19, 2009.

The agencies discussed possible approaches to consistently and comprehensively implement the intent of the legislation. After consensus was reached on a general approach, Partnership staff met individually with lead staff for each program to tailor this approach to the unique aspects of each program. Following these meetings, most agencies modified their grant and loan programs to meet these legislative requirements during the summer and fall of 2009.

To document agency efforts, on September 16th, 2009 the Partnership requested in writing that state agencies submit a written description of how they meet these requirements. This report represents the Partnership's evaluation of those responses, as well as a review of revisions made to evaluation criteria.

The Partnership suggested two approaches to help meet the legislative guidelines. First, modifications were suggested to project eligibility criteria to prohibit projects that are in conflict with the Action Agenda. Suggested questions to be included in the application included:

To insure that this project is not in conflict with the Action Agenda, please provide detail for the following questions:

- Will the completed project result in any water quality degradation in Puget Sound?
 - i. If yes, will the impacts be fully mitigated using appropriate state approved protocols?
 - ii. If no, the project is ineligible.
- Will any ecosystem processes, structure, or functions be lost as a result of this project?
 - i. If yes, will the impacts be fully mitigated using appropriate state approved protocols?
 - ii. If no, the project is ineligible.

Second, to help give preference to projects identified in the Action Agenda, Partnership staff recommended adding the following questions in some format to project eligibility criteria:

To support consistency and alignment with the Action Agenda, please provide detail for the following questions:

- Is the project identified in the Action Agenda? Refer to Action Agenda priorities, including near-term actions and Action Area profiles.
 - i. If yes, please provide reference number or location. Please specify if it is a near-term action or in an Action Area profile.
 - ii. If no, continue to next question.
- Which of the following Action Agenda priorities or near term actions is supported by this project, and how.
 - i. Protect intact ecosystem processes, structures, and functions.
 - ii. Restore ecosystem processes, structures, and functions.
 - iii. Reduce or prevent sources of water quality degradation.

Individual Program Reviews

The following is a summary, organized by responsible state agency, of each grant and loan program's general purpose, biennial dollar appropriation, and the results of the review. Some of the agencies have completed the required revisions and some are in progress, as noted. These are grouped by the state agency responsible for implementation of the funding program.

Department of Ecology

THE WATER POLLUTION CONTROL FACILITIES FINANCING, RCW 70.146, AND THE WATER POLLUTION CONTROL REVOLVING FUND, RCW 90.50A

Program Description

The integrated financial assistance program at the Department of Ecology provides grant and loans to local governments and tribes for wastewater, stormwater and septic system improvements. These grants and loans are provided through the Clean Water State Revolving Fund, Centennial Clean Water Program, and Clean Water Act Section 319 Nonpoint Source Program. This is a competitive program with projects rated on a point scale.

2009-2011 Biennial Dollar Appropriation

The Centennial Clean Water Program: The Water Pollution Control Facilities Financing program primarily provides grants with very few loans. Appropriation for the 2009-2011 biennium was \$30,000,000 including \$10 million reserved for Spokane Extended Grant Payment.

The Water Pollution Control Revolving Fund: This joint federal state program provides low-interest loans. Statewide appropriation for the 2009-2011 biennium was \$178 million including \$68.7 million in federal stimulus funding.

For Puget Sound projects Ecology allocated \$27.7 million in one-time federal stimulus funding for wastewater treatment grants and loans as well as \$7.1 million for stormwater projects. Between the traditional Water Pollution Control Revolving Fund appropriation and federal stimulus funding Ecology estimates that \$108 million will be provided for Puget Sound projects in the biennium.

Action Agenda Near Term Actions (NTA) Supported by this Program

NTA C.1.7, C.1.8, C.1.9, C.2.6, C.3.1, C.3.2, C.4.3

Ensuring projects are consistent and not in conflict with the Action Agenda

Following evaluation it was determined that the water quality programs' procedures and competitive criteria are not in conflict with the Action Agenda and support the goals and priorities of the Action Agenda. Ecology coordinated closely with Partnership staff to modify protocols of the integrated financial assistance program, which includes the Clean Water State Revolving Fund, Centennial Clean Water Program, and Clean Water Act Section 319 Nonpoint Source Program. These efforts resulted in new language added to the annual funding application and funding guidance for Fiscal Year 2011.

Specific language was added to Fiscal Year 2011 Financial Assistance Application Form and Resource Guide for the Centennial Clean Water Program, Federal Clean Water Act Section 319 Nonpoint Source Fund, Washington State Water Pollution Control Revolving Fund, and the Stormwater Retrofit and Low-Impact Development Grant Program. In the basic information section of Part 1, language was added that asks if the project covers a priority area addressed in the Puget Sound Partnership Action Agenda.

The following language was added to Part 2, the points-based rated portion of the eligibility criteria in the water quality and public health improvements section: “If in the Puget Sound basin (WRIAs 1-19), describe how the project meets the goals of the Puget Sound Partnership Action Agenda, and how well it aligns with Section C of the Agenda.” This question ensures consistency with the Action Agenda.

In addition, Ecology has historically requested and considered input on project proposals received during the annual funding cycle. Ecology strongly considers recommendations on project priorities from the Puget Sound Partnership, and any other state agency, board, council or group established by the Legislature to study water pollution control issues in the state. An example of this is the stormwater retrofit and LID grant program, which the Partnership consistently provides input on proposed projects.

Providing preference to projects and activities referenced in the Action Agenda

To provide preference for projects identified in the Action Agenda, the following points based evaluation criteria was added in the state and federal requirements section: “For projects in the Puget Sound basin, explain how the proposal addresses specific actions outlined in the Puget Sound Partnership Action Agenda. How well does this project address the Action Agenda or current approved plan or program, other than a TMDL, specifically designed to address water quality problems?” Although additional rating points were not specifically added for projects referenced in Puget Sound, this question does highlight projects implementing actions contained in the Puget Sound Action Agenda.

Status of legislative requirement fulfillment

It is the Partnership’s opinion that the Department of Ecology has fulfilled the requirements as described in this report for the water quality and water pollution control accounts.

THE STATE TOXICS CONTROL ACCOUNT AND LOCAL TOXICS CONTROL ACCOUNT AND CLEAN-UP PROGRAM, RCW 70.105D

Program Description

The primary fund source for managing wastes and dealing with toxic chemicals in the environment was established in the Model Toxics Control Act (MTCA) passed by Initiative in 1988. This Act created a tax on hazardous substances, primarily petroleum based products. The tax is distributed into two accounts: the State Toxics Control Account (47%) and the Local Toxics Control Account (LTCA) (53%). Given the tax is tied to petroleum products (i.e. the price of oil), revenues have been extremely variable. As a result of this volatility, the agency implemented a strategy to manage the Toxics Accounts by capping expenditures for ongoing costs (primarily staff costs) at a level that is supported by revenue at least 80% of the time. Revenue above the capped amount has been used for the one-time projects, primarily cleaning-up additional toxic waste sites.

ESHB 5372 which amended the MTCA statute applies only to grants and loans from the LTCA, which provides funding to local governments. Grants awarded through the LTCA are not competitive but rather are prioritized based on the severity of environmental need.

2009-2011 Biennial Dollar Appropriation

Appropriation for Remedial Action Grants which provides funding for local clean-up programs for the 2009-2011 biennium is \$37.7 million statewide. The Puget Sound portion is \$28.3 million, with an additional \$10.8 million from re-appropriated capital funds. However, in order to address shortfalls in the operating budget, funding was provided from state general obligation bonds rather than the Local Toxics Control Account.

Action Agenda Near Term Actions (NTA) Supported by this Program

NTA B.2.2, B.2.3, C.5.1.

Ensuring projects are consistent and not in conflict with the Action Agenda

Following evaluation it was determined that the toxics control programs' procedures and competitive criteria are not in conflict with the Action Agenda and support the goals and priorities of the Action Agenda.

Ecology jointly developed a two-phase approach to meet the Partnership's new requirements. The Remedial Action Grants and Loans Program Guidelines are currently being updated and language describing the Partnership's new requirements has been developed to insert into the updated Guidelines.

In addition, specific text will be added that stipulates "Proposed projects or actions that are in conflict with the Puget Sound Partnership Action Agenda will not be eligible for funding." Each grant and loan program listed in the guidelines will have additional requirements added to the "prioritization and evaluation" section. Questions will be added to the application about the project's location and if there is an impact or potential impact to Puget Sound.

Providing preference to projects and activities referenced in the Action Agenda

The following text will be added to the Remedial Action Grants and Loans Program Guidelines: "Preference will be given to projects that are identified in the Action Agenda." While this language is appropriate it is not clear how reviewers will ensure preference is provided, given that project selection is not point based.

Status of legislative requirement fulfillment

It is the Partnership's opinion that the Department of Ecology has mostly fulfilled the requirements as described in this report for the toxics control account. The only remaining concern is that this program is not point-based, and consequently the language providing preference for projects identified in the Action Agenda might not be given much weight. Partnership staff recommends that Ecology considers a points based quantitative evaluation or some other method to ensure preference is given to projects identified in the Action Agenda. Ecology has reported that they are working on a more formalized prioritization process and hope to have a process in place by next year.

Recreation and Conservation Office

THE AQUATIC LANDS ENHANCEMENT ACCOUNT, RCW 79.105.150

Program Description

The ALEA program provides funds to state, local, and tribal governments to support the purchase, improvement, or protection of aquatic lands for public purposes, and for providing and improving access to such lands. Revenue for this program comes from the proceeds from the lease of state owned aquatic lands and the sale of valuable materials, primarily geoducks, on these lands.

2009-2011 Biennial Dollar Appropriation

A total of \$5,025,000 was appropriated statewide for the 2009-2011 biennium. The Recreation and Conservation Office has identified \$4.7 million for Puget Sound projects.

Action Agenda Near Term Actions (NTA) Supported by this Program

NTA A.2.1, B.1.1

Ensuring projects are consistent and not in conflict with the Action Agenda

Following evaluation it was determined that the ALEA program's procedures and competitive criteria are not in conflict with the Action Agenda and support the goals and priorities of the Action Agenda. RCO will require project applicants within Puget Sound to submit a letter certifying that their proposed project is not in conflict with the Action Agenda. These letters will then be submitted to Partnership staff for comment.

RCO has not yet developed policy for additional criteria that indicates whether a project is consistent with the Action Agenda. Although RCO's legislation does not specifically require additional criteria, the Partnership's legislation requires RCO's grant and loan programs to require consistency with the Action Agenda. Consequently, Partnership staff recommends adding questions to the eligibility criteria to ensure alignment and consistency with the Action Agenda.

RCO is working to include policy that encourages sustainable practices into all development grant programs funded by the RCFB. Partnership staff supports this approach to ensuring comprehensive consistency with the Action Agenda.

Providing preference to projects and activities referenced in the Action Agenda

RCO has added a question to the evaluation criteria that asks applicants to explain how the project is referenced, with a page number citation. This criteria is included with other criteria from which scorers can assign points. Consequently, if the project is referenced it should be given more weight in the scoring process.

Status of legislative requirement fulfillment

RCO's update to the ALEA program to meet the legislative requirements referenced in this report is well underway and on the right track. Completion of these requirements is expected by the end of 2009. However, because RCO has not yet developed policy to require project applicants to meet criteria that indicates whether a project is consistent with the action agenda, the Partnership recommends adding questions to the eligibility criteria to ensure alignment and consistency with the Action Agenda.

THE ACQUISITION OF HABITAT CONSERVATION AND OUTDOOR RECREATION LAND (WASHINGTON WILDLIFE AND RECREATION PROGRAM), RCW 79A.15

Program Description

The Washington Wildlife and Recreation Program (WWRP) program assists with the rapid acquisition of the most significant lands for wildlife conservation and outdoor recreation purposes before they are converted to other uses, and to develop existing public recreation land and facilities to meet the needs of present and future generations. This program provides funds for land acquisition, development, and restoration of parks, critical habitat, natural areas, and urban wildlife habitat to state, local, and tribal government, special purpose districts, non-profits, and political subdivisions.

2009-2011 Biennial Dollar Appropriation

A total of \$54 Million was appropriated statewide including \$27,000,000 for the Habitat Conservation Account (HCA) which provides grants for habitat acquisition programs and \$27,000,000 for the Outdoor Recreation Account (ORA) for outdoor recreation projects was appropriated for the 2009-2011 biennium. Of these appropriations \$28 million has been identified as aligning with Action Agenda priorities.

Action Agenda Near Term Actions (NTA) Supported by this Program

NTA A.2.1, A.4.1, B.1.1, B.1.2, B.1.3, B.1.4

Ensuring projects are consistent and not in conflict with the Action Agenda

Following evaluation it was determined that the WWRP's procedures and competitive criteria are not in conflict with the Action Agenda and support the goals and priorities of the Action Agenda. RCO will require project applicants within Puget Sound to submit a letter certifying that their proposed project is not in conflict with the Action Agenda. These letters will then be submitted to Partnership staff for comment.

RCO has not yet developed policy for additional criteria that indicates whether a project is consistent with the Action Agenda. Although RCO's legislation does not specifically require additional criteria, the Partnership's legislation requires RCO's grant and loan programs to require consistency with the Action Agenda. Consequently, Partnership staff recommends adding questions to the eligibility criteria to ensure alignment and consistency with the Action Agenda.

RCO is working to include policy that encourages sustainable practices into all development grant programs funded by the RCFB. Partnership staff supports this approach to ensuring comprehensive consistency with the Action Agenda.

Providing preference to projects and activities referenced in the Action Agenda

RCO has added a question to the evaluation criteria that asks applicants to explain how the project is referenced in the Action Agenda, with a page number citation. This criterion is included with other criteria from which scorers can assign points. Consequently, if the project is referenced it should be given more weight in the scoring process.

Status of legislative requirement fulfillment

RCO's update to the WWRP program to meet the legislative requirements referenced in this report is well underway and on the right track. Many of these requirements were adopted by the Recreation and Conservation Funding Board in November 2009. However, because RCO has not yet developed policy to require project applicants to meet criteria that indicates whether a project is consistent with the action agenda, the Partnership recommends adding questions to the eligibility criteria to ensure alignment and consistency with the Action Agenda.

THE SALMON RECOVERY FUNDING BOARD, RCW 77.85.110 THROUGH 77.85.150

Program Description

The Salmon Recovery Funding Board (SRFB) provides funding for salmon recovery projects and efforts to local governments, non-profits, private landowners, conservation districts, state agencies, regional fisheries enhancement groups, and special purpose districts.

2009-2011 Biennial Dollar Appropriation

A total of \$68.8 million was appropriated statewide for salmon recovery projects for the 2009-2011 biennium. RCO anticipates providing grants for \$8 million for projects in Puget Sound. In addition, \$33 million for Puget Sound Acquisition and Restoration projects and \$7 million of the Puget Sound Nearshore projects through the Estuary Salmon Restoration Program was provided to be administered by the Recreation and Conservation Office.

Action Agenda Near Term Actions (NTA) Supported by this Program

NTA A.2.1, A.4.1, B.1.1, B.1.2, B.1.3, B.1.4

Ensuring projects are consistent and not in conflict with the Action Agenda

Following evaluation it was determined that the SRFB's procedures and competitive criteria are not in conflict with the Action Agenda and support the goals and priorities of the Action Agenda. RCO will require project applicants within Puget Sound to submit a letter certifying that their proposed project is not in conflict with the Action Agenda. These letters will then be submitted to Partnership staff for comment.

RCO has not yet developed policy for additional criteria that indicates whether a project is consistent with the Action Agenda. Although RCO's legislation does not specifically require additional criteria, the Partnership's legislation requires RCO's grant and loan programs to require consistency with the Action Agenda. Consequently, Partnership staff recommends adding questions to the eligibility criteria to ensure alignment and consistency with the Action Agenda.

Providing preference to projects and activities referenced in the Action Agenda

RCO will be activating a question in the SRFB project application for the 2010 round that asks Puget Sound applicants to provide the Action Agenda reference for their projects.

Status of legislative requirement fulfillment

RCO's update to the SRFB program to meet the legislative requirements referenced in this report is well underway and on

the right track. Completion of these requirements is expected by the end of 2009. However, because RCO has not yet developed policy to require project applicants to meet criteria that indicates whether a project is consistent with the action agenda, the Partnership recommends adding questions to the eligibility criteria to ensure alignment and consistency with the Action Agenda.

Department of Commerce, The Public Works Board

THE PUBLIC WORKS ASSISTANCE ACCOUNT, RCW 43.155

Program Description

The Public Works Board through the Public Works Assistance Account provides financial and technical assistance to Washington communities for critical public health, safety and environmental infrastructure. The board primarily provides loans to local governments for public works projects to improve roads, bridges, sanitary sewer, storm sewer, domestic water and solid waste/recycling infrastructure systems.

2009-2011 Biennial Dollar Appropriation

\$2,000,000 was appropriated for the 2009-2011 biennium.

Action Agenda Near Term Actions (NTA) Supported by this Program

NTA C.3.1 C.4.1

Ensuring projects are consistent and not in conflict with the Action Agenda

Following evaluation it was determined that most of the public works account procedures and competitive criteria are not in conflict with the Action Agenda and support the goals and priorities of the Action Agenda. Additional review and revisions are needed for criteria related to the construction of roads and bridges.

The Department of Commerce is developing a process for determining if a project is consistent and not in conflict with the Action Agenda. In addition to the recommended language in the methodology section above, Partnership staff recommends adding criteria to require utilization of low impact development, also known as green stormwater infrastructure, where feasible for all development, re-development, and retrofit projects. For jurisdictions covered under NPDES permits, this would be satisfied by complying with all provisions of the permits that stipulate low impact development must be used wherever feasible.

Providing preference to projects and activities referenced in the Action Agenda

The Public Works Board agreed to adopt the Department of Commerce staff's recommendation to provide 1 point each if the project is consistent with the Action Agenda, is referenced in the Action Agenda, and if the applicant is a Puget Sound Partner.

Status of legislative requirement fulfillment

The Department of Commerce's update to the Public Works Program to meet the legislative requirements referenced in this report is nearly complete. Partnership staff is working with Commerce staff to refine the evaluation criteria. The Public Works Board is planning to adopt final staff recommendations at their January 12, 2010 meeting.

The new evaluation criteria will be utilized in the next funding cycle for FY 2012.

Department of Commerce

THE COMMUNITY ECONOMIC REVITALIZATION BOARD, RCW 43.160

Program Description

The Community Economic Revitalization Board (CERB) is Washington's strategic economic development resource, focused on creating and retaining jobs in partnership with local government. CERB finances public infrastructure to encourage new development and expansion in targeted areas.

2009-2011 Biennial Dollar Appropriation

\$6.2 million was appropriated statewide for the 2009-2011 biennium.

Action Agenda Near Term Actions (NTA) Supported by this Program

NTA C.3.1 C.4.1

Ensuring projects are consistent and not in conflict with the Action Agenda

Following evaluation it was determined that some of the CERB programs' procedures and competitive criteria are potentially in conflict with the Action Agenda. The Department of Commerce, which staffs the Board is planning to propose to CERB the use of a self-certification process where project applicants would complete a form that certifies their project is not in conflict and is consistent with the Action Agenda.

Partnership staff recommends adding criteria to require utilization of low impact development, also known as green stormwater infrastructure, where feasible for all development, re-development, and retrofit projects. For jurisdictions covered under NPDES permits, this would be satisfied by complying with all provisions of the permits that stipulate low impact development must be used wherever feasible.

Providing preference to projects and activities referenced in the Action Agenda

Projects are currently chosen based on a qualitative review with no points awarded. This does not allow for clear preference to be given to projects that are consistent with or referenced in the Action Agenda. Partnership staff favors a point system for project selection, but will work with Commerce staff to develop an approach that satisfies this requirement. The Department of Commerce staff is planning to propose to the CERB a staff analysis process to identify if the project is referenced in the Action Agenda. Partnership staff recommends utilizing a self-reporting process to achieve this. This will reduce staff time, and will promote greater understanding of the Action Agenda.

Status of legislative requirement fulfillment

Proposed changes are anticipated to be discussed at the Community Economic Revitalization Board in January 2010. Policy adoption and changes should be completed by fall 2010. Partnership staff will work with Commerce staff to refine this proposal.

Department of Health

AQUATIC LANDS ENHANCEMENT ACCOUNT, RCW 79.105.150

Program Description

The Department of Health also administers ALEA funds to improve and protect aquatic lands. These funds are allocated directly to the 12 Puget Sound local health jurisdictions to help implement their on-site sewage management plans. This work aims to improve the overall management and performance of on-site sewage systems in the Puget Sound region, especially systems located in areas designated as marine recovery areas under Chapter 70.118A RCW. Funds are non-competitive and administered through standing consolidated contracts between DOH and local health jurisdictions.

2009-2011 Biennial Dollar Appropriation

A total of \$603,000 was appropriated for distribution to the Puget Sound local health districts in the 2009-2011 biennium to implement on-site sewage management plans.

Action Agenda Near Term Actions (NTA) Supported by this Program

NTA C.4.1

Ensuring projects are consistent and not in conflict with the Action Agenda

Following evaluation it was determined that the Department of Health's programs procedures and competitive criteria are not in conflict with the Action Agenda and support the goals and priorities of the Action Agenda. DoH's focus is improving septic system management and their procedures and criteria are well aligned with the Action Agenda.

Providing preference to projects and activities referenced in the Action Agenda

The funds through this program are solely devoted to ensuring that existing septic systems and large onsite septic systems are well maintained, and on-site sewage management plans are implemented. These activities are referenced in the Action Agenda.

Status of legislative requirement fulfillment

The Department of Health is in process of updating their contractual language with the local health jurisdictions to ensure consistency and preference for any specific projects listed in the Action Agenda. Partnership staff will continue working with them to complete this update.

Conservation Commission

CONSERVATION COMMISSION DISPOSITIONS 89.08.520

Program Description

The Conservation Commission allocates funds directly to the twelve Conservation Districts throughout Puget Sound to implement projects and programs through a non-competitive process. These funds are contained in both the operating and capital budgets.

2009-2011 Biennial Dollar Appropriation

The Commission reports that \$8.8 million will be provided for grants for projects in Puget Sound in the 2009-2011 biennium.

Action Agenda Near Term Actions (NTA) Supported by this Program

NTA A.4.3, B.3.1, C.2.8.

Ensuring projects are consistent and not in conflict with the Action Agenda

Following evaluation it was determined that the Conservation Commissions programs' procedures and competitive criteria are not in conflict with the Action Agenda and support the goals and priorities of the Action Agenda. In developing their work plans this year, the conservation districts utilized the priorities in the Action Agenda related to their mission as a framework to develop their tasks.

The Conservation Commission completed a report titled: Action Agenda for the Puget Sound Conservation Districts. One of the purposes of this report was to identify how well the Puget Sound Conservation Districts' programs were aligned with the priority actions and activities identified in the Action Agenda. The Conservation Commission utilized this report in developing the Conservation Districts work plans to ensure complete alignment with the Action Agenda.

Providing preference to projects and activities referenced in the Action Agenda

The Conservation Districts work plan prioritized actions based on the priorities identified in the Action Agenda, which means that providing preference for Action Agenda projects and activities is built-in to their funding process.

Status of legislative requirement fulfillment

The Conservation Commission did an outstanding job of implementing a comprehensive and meaningful approach to aligning the Conservation Districts work with the Action Agenda, and could serve as a model for other funding programs. It is the opinion of Partnership staff that they have completed this task.

Work Remaining to be Completed

Partnership staff will continue work on the state grant and fund review throughout the next year, in collaboration with affected state agencies, to complete the legislative requirements. This work will include clarifying legislative intent and addressing inconsistencies within the legislation; identifying any additional federally funded water quality programs that were not reviewed; and developing a strategic funding approach that links the performance measures for the Action Agenda with measures for the grant and loan program. This work is detailed below:

- Identify if SEPA determination is adequate to ensure that a project is not in conflict with the Action Agenda.
- Clarify legislative inconsistency for RCO programs.
- Work with Commerce to develop a proposal for CERB program modification.
- Work with Department of Health to complete update of contractual language.
- Identify any additional programs that pass through federal water quality financial assistance directly to local governments in the Puget Sound basin (RCW 90.71.370(4)(b)(x)).
- Work with Ecology to refine MTCA approach to providing preference for Action Agenda projects.
- Assess ways to incorporate a strategic funding approach for the Action Agenda within the outcome-focused performance measures required by RCW 43.41.270 in administering natural resource-related and environmentally based grant and loan programs (RCW 90.71.370 (4)(c)(v)). Work with the Department of Commerce to assess how regional and community planning can advance implementation of the Action Agenda through a strategic funding approach.
- Continue development of a process and criteria by which entities that consistently achieve outstanding progress in implementing the Action Agenda are designated as Puget Sound partners (RCW 90.71.340 (4)).

Further Recommendations

In addition to the above work, Partnership staff also recommends expanding the scope of the grant and loan program review to all state appropriated funds for development and infrastructure in the Puget Sound region, including the temporary public works grant program. Partnership staff believes that there is a significant amount of state dollars being spent on activities that further degrade the Puget Sound ecosystem and that efficiency and progress could be achieved by addressing this concern. Partnership staff recommends assessing all state funds for development and infrastructure to determine what state funded projects are contributing to habitat loss, stormwater runoff, and other water contamination. This effort would ensure the most efficient use of public dollars by aligning all state funds with the priorities of the Action Agenda.

